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Department of the Treasury
Washington, DC 20224

[Third Party Communication:
Date of Communication: Month DD, YYYY]

Person To Contact: _____, ID No. _____

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CC:CORP:B02
PLR-120885-07

Date:
September 14, 2007

LEGEND:

Taxpayer =

Debtor =

Debtor Subsidiaries =

State A =

Sub1 =

PLR-120885-07

Trust 1 =

Trust 2 =

Year 1 =

Business A =

Product =

Act =

a =

b =

c =

d =

e =

Petition Date =

Date 1 =

Date 2 =

Effective Date =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Dear :

This letter responds to your May 1, 2007, letter and supplemental information dated May 23, 2007, requesting rulings as to the federal income tax consequences of the Proposed Transactions (defined below). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Taxpayer was formed on Date 1 as a wholly-owned subsidiary of Debtor.¹ Taxpayer is a publicly held, State A corporation that is common parent of an affiliated group of corporations (collectively, the “Company”) that join in the filing of a consolidated income tax return. Taxpayer is a calendar year, accrual method taxpayer.

Taxpayer, directly or through its subsidiary corporations, engages in Business A. Prior to forming Taxpayer, for many years, Debtor had been involved in Business A and had generated positive cash-flow from its business operations. Debtor’s Business A operations required the use of Product. Due to Product liability obligations, however, Debtor and Debtor Subsidiaries, including Sub1, filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of State A on the Petition Date. After a series of proposed plans of reorganization, Debtor’s bankruptcy plan of reorganization (the “Plan”) was confirmed by order of the U.S. District Court for the District of State A (the “District Court”) on Date 2. Debtor emerged from bankruptcy on the effective date of the plan (the “Effective Date”).

Product-related Personal Injury Claims

As a result of Debtor's Business A activities involving Product, tens of thousands of Product-related personal injury claims have been asserted against Debtor. On Date 3, the District Court issued a Memorandum and Order estimating the total amount of contingent and unliquidated claims against Debtor for personal injury or death caused by exposure to Product (including pending, future and contract claims) to be \$a.

Pursuant to the Plan, Trust 1 was created from which qualifying current and future Product personal injury claimants will be paid. Trust 1 is a trust under State A

¹ Although initially formed as a wholly owned subsidiary of Debtor, Taxpayer and Debtor completed some restructuring transactions to enable Debtor's emergence from bankruptcy. As a result, Taxpayer is now the parent of the Company (formerly Debtor's affiliated group), and Taxpayer holds all of the equity interests in Debtor (which has since converted to an LLC).

law. As required under the provisions of the Bankruptcy Code, the Company funded Trust 1 in whole or in part with securities of Debtor or one or more of the Debtor Subsidiaries. On the Effective Date, the Company funded Trust 1 with cash and other property, and a contingent promissory note in the amount of \$b, bearing simple interest at a rate of c per annum, payable to Trust 1 on notice from Taxpayer on a date no earlier than Date 5 and no later than Date 6 (one week later). Payment of the promissory note was contingent upon the Act not being enacted into law by a specified date. As a result of the Act not being enacted, on Date 4, the Company paid the principal and interest on the contingent promissory note and delivered d shares of Taxpayer common stock (the “New Common Stock”) to Trust 1.

In addition to taking title to some of Taxpayer’s New Common Stock, the trustees, on behalf of Trust 1, through separate sub-accounts for Debtor and Sub1, will assume all of Debtor’s liabilities for Product personal injury-related claims, whether pre-petition or future, and whether or not the claimants filed a proof of claim in Debtor’s Chapter 11 case. Like many of Debtor’s other creditors, the Product personal injury claimants will likely receive distributions from Trust 1 that are less than the face amounts of their respective claims against Debtor. Debtor will, through the separate sub-accounts, make payments to qualified claimants in accordance with the trust distribution procedures set forth in the Plan. In Year 1, Sub1 requested and received a letter ruling which determined that Trust 2 is a qualified settlement fund for federal income tax purposes. Pursuant to an agreement between Trust 1 and Trust 2, Trust 2 transferred all of its assets to the Sub1 sub-account (part of Trust 1) as required by the Plan.

Restructuring Transactions

Prior to the Effective Date, Debtor formed a series of limited liability companies (“LLCs”) to hold the assets of the various operating segments of its businesses (the “Operating Entities”).

On the Effective Date, Debtor issued e shares of common equity to Taxpayer. All other equity interests in Debtor were cancelled by the Bankruptcy Court as of the Effective Date. As a result, Debtor became a wholly owned subsidiary of Taxpayer. Taxpayer then issued New Common Stock to various creditors as required by the Plan.²

On Date 5, Debtor contributed assets to each Operating Entity as appropriate for the business units represented by such Operating Entity. The Operating Entities then contributed assets to any newly-formed subsidiaries contributed to such Operating Entity by Debtor.

Debtor then converted to a State A LLC, and concurrently, changed its name to reflect its new “LLC” status. After the conversion, Debtor distributed its equity interests

² Additionally, on or about the Effective Date, both Debtor and Taxpayer filed certificates of amendment under State A law to change their names.

in the Operating Entities to Taxpayer. As a result, the Operating Entities became wholly-owned subsidiaries of Taxpayer.

The Plan and its accompanying disclosure statement provide, in relevant part, that after payment of secured and priority claims, the residual distributable value of Debtor was generally to be allocated ratably in the form of cash or New Common Stock to certain holders of allowed general unsecured claims against Debtor.

Representations

The following representations have been made with respect to this request for letter ruling:

(a) As a result of the implementation of the Plan, Taxpayer experienced an ownership change (within the meaning of § 382(g)(1)), on the Effective Date.

(b) Taxpayer intends to make an election under § 382(l)(5)(H), with respect to the above-referenced ownership change.

(c) Taxpayer represents that Trust 2 has no indemnification obligations with respect to any other parties.

(d) Taxpayer represents that none of the cash amounts transferred by Taxpayer to Trust 1 are amounts received from the settlement of insurance claims that are excludable from Taxpayer's gross income.

(e) Taxpayer represents that the New Common Stock transferred to Trust 1 is publicly traded stock issued by the transferor.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

(1) Trust 1 has satisfied the requirements of a qualified settlement fund ("QSF") (§ 1.468B-1).

(2) To the extent that the payments and transfers are allocable to allowable Product-related claims, Taxpayer may deduct the following: (i) the amount of cash it pays directly to Trust 1 in the taxable year during which the cash payments are made, including payments made on the Contingent Note in the taxable year(s) in which payments are made; and, (ii) the fair market value (as of the date of the transfer) of the New Common Stock transferred by Taxpayer to Trust 1 (§ 162).

(3) The deduction allowable for the transfer of cash to Trust 1 on the Effective Date will not be considered a built-in deduction item under § 382(h)(6)(B), and will not be taken into account in determining the net unrealized built-in gain or net unrealized built-in loss on the Effective Date.

(4) Assuming Taxpayer does not make the closing-of-the-books election under § 1.382-6(b), any net operating loss arising in the taxable year in which the Effective Date occurs (including any net operating loss attributable to the funding of Trust 1) will be allocated between the pre-change period and the post-change period by ratably allocating an equal portion to each day in the year.

(5) Taxpayer will neither realize cancellation of indebtedness income nor be required to reduce its tax attributes as a result of the discharge, release, and extinguishment of all of its obligations and liabilities for or with respect to its Product-related personal injury claims (§ 108(b)).

(6) Taxpayer will not recognize any gain or loss on the transfer of New Common Stock to Trust 1 pursuant to the Plan (§ 1032).

Caveats

We express no opinion on the tax treatment of the consummated transaction under any other provision of the Code or Regulations, or the tax treatment of any conditions existing at the time of, or the effects resulting from, the consummated transaction that are not specifically covered by the above ruling. In particular, no opinion is expressed under § 368(a)(1)(G) or any other Code section on the tax consequences of Taxpayer's domestic and foreign internal restructuring transactions undertaken as part of its reorganization during and after the bankruptcy proceeding. No opinion is expressed regarding Taxpayer's ability to deduct the fair market value of any such assets or cash transferred to Trust 2 under § 1.468B-3(f). Additionally, we express no opinion on the tax treatment of the termination of Trust 2 and whether the transfer of Trust 2's assets to Trust 1 results in a deemed transfer of Trust 2's assets (including any cash held by Trust 2) to Taxpayer, followed by a deemed contribution by Taxpayer of those assets to Trust 1. Moreover, no ruling has been requested by or provided to Taxpayer with respect to the transfer of the "other property" contributed by Taxpayer (in addition to Taxpayer's own cash) when funding Trust 1.

Procedural Statements

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transactions covered by this ruling letter are completed.

In accordance with the power of attorney on file in this office, a copy of this letter is being sent to the taxpayer.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)